Research Paper
Impact Factor: 7.358
Peer Reviewed & Indexed Journal
www.ijmsrr.com

IJMSRR
E- ISSN - 2349-6746
ISSN -2349-6738

A STUDY ON COMPARATIVE FINANCIAL STATEMENT ANALYSIS AT AAVIN

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Abstract
This study focuses on conducting a comprehensive comparative financial statement analysis of AAVIN, a leading dairy cooperative in Tamil Nadu. The analysis aims to evaluate the financial performance and position of the organization over a selected period, typically ranging from three to five financial years. By comparing the key elements of the financial statements such as the income statement and balance sheet across different years, the study highlights trends in revenue, expenditure, profitability, asset management, and liabilities. The primary objective is to assess how efficiently the organization utilizes its financial resources, maintains solvency, and adapts to market challenges through strategic financial planning. The study employs horizontal and vertical analysis techniques to present year-wise comparisons and interpret percentage changes to provide insights into the growth and stability of AAVIN's operations. The findings from the comparative analysis reveal crucial indicators regarding the financial strengths and weaknesses of AAVIN. The results help stakeholders understand fluctuations in income, cost control efficiency, liquidity, and capital structure. This enables management to take informed decisions for future budgeting, investments, and resource allocations. Moreover, the study contributes to enhancing financial transparency and accountability in cooperative sectors by demonstrating the importance of regularly evaluating financial health through structured comparative analysis. Overall, the research underscores how financial statement comparisons serve as a critical tool in guiding strategic direction and ensuring sustainable development in public sector enterprises like AAVIN.

Index Terms: Comparative Financial Statements, Horizontal Analysis, Vertical Analysis, Financial Performance, AAVIN, Income Statement, Balance Sheet, Profitability, Liquidity, Solvency, Cooperative Sector, Trend Analysis, Financial Ratios, Budgeting, Public Sector Enterprise.

Introduction

Financial Statement Analysis

Financial statement is an organized collection of data according to logical and consisting of accounting procedures. Its purpose is to convey an understanding of some financial aspects of a business form. It may reveal a series of activities over a given period of time, as in the case of an income statement. The focus of the financial analysis is on key figures in the financial statements, and the significant relationships exist between them. The analysis of financial statements is a process of evaluating relationships between component parts of financial statements to obtain a better understanding of the firm's position and statements.

Definition According to "Financial statement analysis is largely a study of the Relationship among the various financial factors in a business as disclose by a single set of statement and a study of the trend of these factors as show in a series of statements. (M. Y. Khan & P. K. Jai)

IJMSRR
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Financial statements are indicators of the two significant factors:

1. Profitability
2. Financial Soundness

Analysis and interpretation of financial statements therefore refer to such a treatment of the information contained in the income statement and the balance sheet so as to afford full diagnosis of the profitability and financial soundness of the business. The term "analysis" means methodical classification of the data given in the financial statements. The term "interpretation" means "explaining the meaning and significance of the data so simplified.

Types of financial Statement Analysis

Financial analysis can be classified into different categories depending upon.

(a) The material used
(b) The modus operand of analysis

On the basis of materials used. According to this basis financial analysis can be of two types.

a) External Analysis

Those who are outsider for the business do this analysis. The outsiders include investors, credit agencies. Government agencies and other creditors who have no access to the internal records of the company. These persons mainly depend upon, the published financial statements. Their analysis serves only a limited purpose.

b) Internal analysis

This analysis is done by people who have access to the books of accounts and other information to the books of accounts related to the business., Executives and employees of the organization or by officers appointed for this purpose by the government or the court under powers vested in them can therefore do such an analysis. On the basis of modus operandi according to this, financial analysis can also be two types. (S.P. Jain & K.L. Narang)

a) Horizontal Analysis
b) Vertical Analysis:

2. Need for the Study

The scope of a study on Comparative Financial Statement Analysis at AAVIN can be broadly defined to encompass several key aspects of financial analysis. The study will primarily focus on comparing the financial performance of AAVIN over a period of time, using various financial statements and ratios to evaluate its growth, profitability, liquidity, and efficiency. The study may be extended to provide insights into the organization's financial health and assist in future decision-making processes. The study will analyze AAVIN's financial statements over a defined period, such as the last 3-5 years. This will allow for the comparison of year-on-year performance and highlight trends or fluctuations in financial performance.

3. Scope of the Study

The study mainly attempts to analyze the financial statement of the company selected for the study. The financial authorities can use this for evaluating their performance in future, which will help to analyze financial statements and help to apply the resources of the company properly for the development of the company to bring overall growth. The present study attempts to develop a trend analysis model for Sales and Working Capital and Profit and Loss Accounts. There can be forecasting to evaluate the overall financial statement of the Aavin Milk Company.

4. Literature Survey

Ray Saba Priya (2022) studied the sample of automobile companies to evaluate the performance of industry through indicators namely sales, production and export trend actor period of 2018-19 to 2009-10. The study finds that automobile industry has been passing through disruptive phases by over debt burden, underutilization of assets and liquidity instability. The researcher suggested improving the labor productivity, labor flexibility and capital efficiency for success of industry in future.

Mistry Dharmendra S. (2022) understood a study to analyze the effect of various determinants on the profitability of the selected companies. It concluded that debt equity ratio, inventory ratio, total assets were important determinants which effect positive or negative effect on profitability. It suggested improving solvency as to reduce fixed financial burden on the company profit & give the benefit of trading on equity to the shareholders.

Singh Amarjit & Gupta Vinod (2022) explored an overview of automobile industry. Indian automobile industry itself as a manufacturing hub and many joint ventures have been setup in India with foreign collaboration. SWOT analysis done there are some challenges by the virtue of which automobile industry faces lot of problems and some innovative key features are keyless entry, electrically controlled mechanisms enhanced driving control, soft feel interiors and also need to focus in future on like fuel efficiency, emission reduction safety and durability.

Sharma Rashmi, Pande Neeraj & Singh Avinash (2019) for understanding how social media monitoring can help diving the consumer decision & also study. The functions of social media i.e. monitor, responses amplify and lead at Maruti Suzuki India ltd. There searcher had discussion with social media team median managers for collecting data & also visited the official social media sites of MSIL.

Kumar Sumesh & Kaur Gurbachan (2019) Automobile sector is the dominant player in economy of world. After liberalization Indian automobile industry has emerged as major contributor to India's GDP. The study identified that there is no significant in the means score of various financial ratios of Marti Suzuki and Tata motors but in meeting their long-term obligations and efficacy of utilizing the assets show the significant difference in the efficiency of both the firms.

Daniel A. Moses Joshunar (2019) the study has been conducted to identify the financial strength and weakness of the Tata motors Ltd. using past 5-year financial performance. Trend analysis & ratio analysis used to comment on financial status of company. Financial performance of company is satisfactory and also suggested to increase the loan levels of company for the better performance.

Sharma Nishi (2021) studied the financial performance of passenger and commercial vehicle segment of the automobile industry in the terms of four financial parameters namely liquidity, profitability, leverage and managerial efficiency analysis for the period of decade from 2001-02 to 2010-11. The study concludes that profitability and managerial efficiency of Tata motors as well as Mahindra & Mahindra ltd are satisfactory, but their liquidity position is not satisfactory. The liquidity position of commercial vehicles is much better than passenger vehicle segment.

5. Statement of the Problem

The current, quick and net working capital ratios enumerate that the company is in a favorable short term liquidity position, which is of utmost importance to the short-term creditors as they commensurate with the standards. The company's long-term liquidity is beyond satisfaction. The company on the outset has a risk averting nature that is why full utilization of debts is not done. The gross profit margin fluctuated throughout the period of 5 years. GPM & NPM were below satisfaction owing to the high operating expenses and other costs; however, the GPM & NPM gradually rose in the later years. ROI ratios are maintained at adequate level. The activity ratios have shown that the current assets are better managed whether it is inventory or the debtors. Fixed assets require more attention.

6. Objectives of the Study

- The study of the financial statement analysis in Aavin Milk company from the year of 2019-2024
- To know the efficiency of Aavin Milk company.
- To identify the growth of company in terms of comparative statement, trend analysis for the year 2019-2024.
- To know the profitability position and liquidity position of in Aavin Milk company.
- To know the effective utilization of funds.
- To offer suggestions for improving the financial position of the in Aavin Milk company.

Research and Methodology

7.1 Research Design

Research design is the arrangement of conditions for collections and analysis of data in manner that image to combine relevance of the research design in the conceptual structure within which research is conducted. It constitutes the blueprint for the collection, measurement and analysis of data.

7.2 Methods of Data Collection

We have made use of both primary and secondary data in this study.

7.2.1 **Primary Data**:

- The financial information is collected from the personal interaction with the financial managers of Aavin Milk.
- About the organization, information is collected from all departments of Aavin Milk by the help of Accounts department

7.2.2 **Secondary Data**: The data required for the study has been collected from secondary source. Bank balance sheet and profit and loss account. Secondary data is second hand information.

- This is collected through Aavin Milk
- About Financial information by collecting 5 years financial performance of Aavin Milk
- Other information collects from records from concern department of Aavin Milk
- The information related to the organization that is collected from industries/organization.

7.3 Statistical Tools

- Comparative Statement
- Ration Analysis

IJMSRR
E- ISSN - 2349-6746
ISSN -2349-6738

Current Ratio

This ratio indicates the rupees of current assets available for each rupee of current Liability. By this ratio we can see the stability of the firm or short term financial position of the firm. The ratio is calculated as fallows;

Current ratio= current assets/current liabilities

Quick /Liquid/Acid Test Ratio

It shows the relationship between quick assets & quick liabilities. It shows the business solvency or strength of liquidity. That is calculated as

Quick ratio= Quick assets/ Current liabilities

Net Working Capital Ratio

Net working capital ratio shows how much of a company's current liability can be met with the company's current assets. The net working capital ratio is the measure of a company's capability in meeting the obligations that must be paid within the foreseeable future. Therefore, it shows the liquidity that is available with the company to meet the liabilities

NET WORKING CAPITAL RATIO = Net Working Capital/Net Assets

Activity Ratios

The ratio is calculated by dividing the net sales by the working capital. The ratio helps you figure out the net annual sales generated by the average amount of working capital during a year.

Asset Turnover Ratio = Revenue ÷ Average Total Assets.

Debtors Turnover Ratio

This ratio indicates the extent to which the debts have been collected in time. It gives the average debt collection period. The higher is the turnover ratio and shorter is the average collection period the better is the trade credit management and the better is the liquidity of debtors, as short collection period and high turnover ratio imply prompt payment on the part of debtors.

That is calculated as follows

Debtors collection period=no of days in a year/debtors turnover ratio

Assets Turnover Ratio

This ratio measures the efficiency and profit earning capacity of the organization. Higher ratio indicates intensive utilization of fixed asset. Lower ratio indicates under utilization of assets.

Fixed Asset – Turnover Ratio: Cost Of sales/Fixed asset

Current Assets Turnover Ratio

It indicates the percentage of owners fund invested in fixed asset. if ratio is grater than 1,it means that creditors obligation have been used to acquire a part of the fixed assets.

Current Assets=Fixed asset/Shareholders funds

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Total Assets Turnover Ratio

It indicates the percentage of owner's fund invested in fixed asset. if ratio is greater than 1, it means that creditors obligation have been used to acquire a part of the fixed assets.

Capital Turnover Ratio

Total Asset to Proprietor's Ratio=Fixed asset/Shareholders funds

Working capital turnover ratio can be calculated by dividing the net sales done by a business during an accounting period by the working capital.

Capital Turnover = **Total Sales / Shareholder's Equity**

Debt-Equity Ratio

The debt-to-equity ratio (D/E ratio) shows how much debt a company has compared to its assets. It is found by dividing a company's total debt by total shareholder equity. A higher D/E ratio means the company may have a harder time covering its liabilities.

Debt/equity = Total debt/ total shareholder's equity

Solvency ratios

Debt to Total Capital Ratio

This ratio indicates the extent to which the debts have been collected in time. It gives the average debt collection period. The higher is the turnover ratio and shorter is the average collection period the better is the trade credit management and the better is the liquidity of debtors, as short collection period and high turnover ratio imply prompt payment on the part of debtors.

That is calculated as follows:

Debtors' collection period=no of days in a year/debtors turnover ratio

Interest coverage ratio

The interest coverage ratio is used to measure how well a firm can pay the interest due on outstanding debt. The interest coverage ratio is calculated by dividing a company's earnings before interest and taxes (EBIT) by its interest expense during a given period.

Interest Coverage Ratio (ICR) = EBIT / Interest Expense

Net Profit Margin

This ratio is also known as net margin. This measures the relationship between net profit and sales of a firm. Depending on the concept of net profit employed, it is calculated as follows

Net profit ratio=Net Profit/net sales *100

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8. Data Analysis and Interpretation

8.1 Liquidity Ratios:

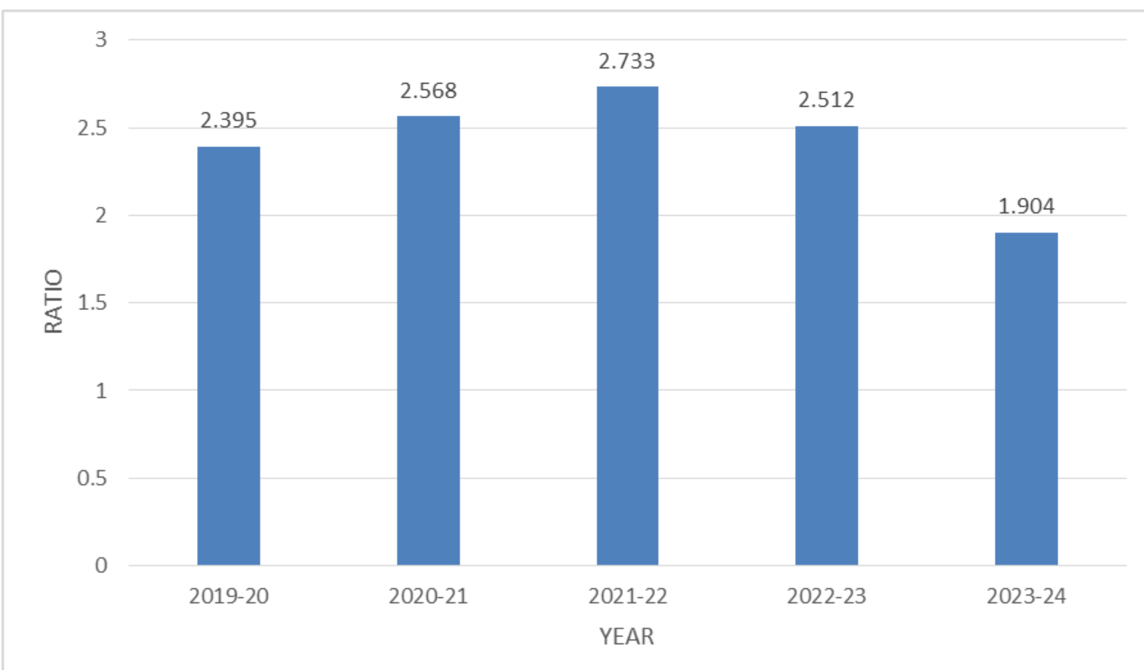
Table No: 8.1

Year	Current Assets	Current Liabilities	Ratio
2019-20	86811.49	36253.41	2.395
2020-21	60981.33	23744.25	2.568
2021-22	63063.52	23072.27	2.733
2022-23	53951.48	21480.90	2.512
2023-24	120627.29	63342.50	1.904

Interpretation

The above table reveals the current ratio of the firm for five succeeding years. The higher the current ratio, higher is the liquidity of the firm, which also means lower profitability but by maintaining a consistent ratio the firm has managed a trade-off between liquidity and profitability. However the ratio has declined in the year 2023-24. When seen for the five years from 2022-23**,** which showed a considerably high ratio of 2.5:1 to 2023-24 which reduced its current ratio to 1.9:1. In the years 2021-22 and 2020-21 the current ratios were the highest. The industry ratio is 2:1,that is, for every rupee of current liability the firm must have two rupees as its current assets to pay them off. The company complies with the industry average.

Chart No 8.1: Liquidity Ratios



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E- ISSN - 2349-6746
ISSN -2349-6738

8.2 Quick Asset Ratio

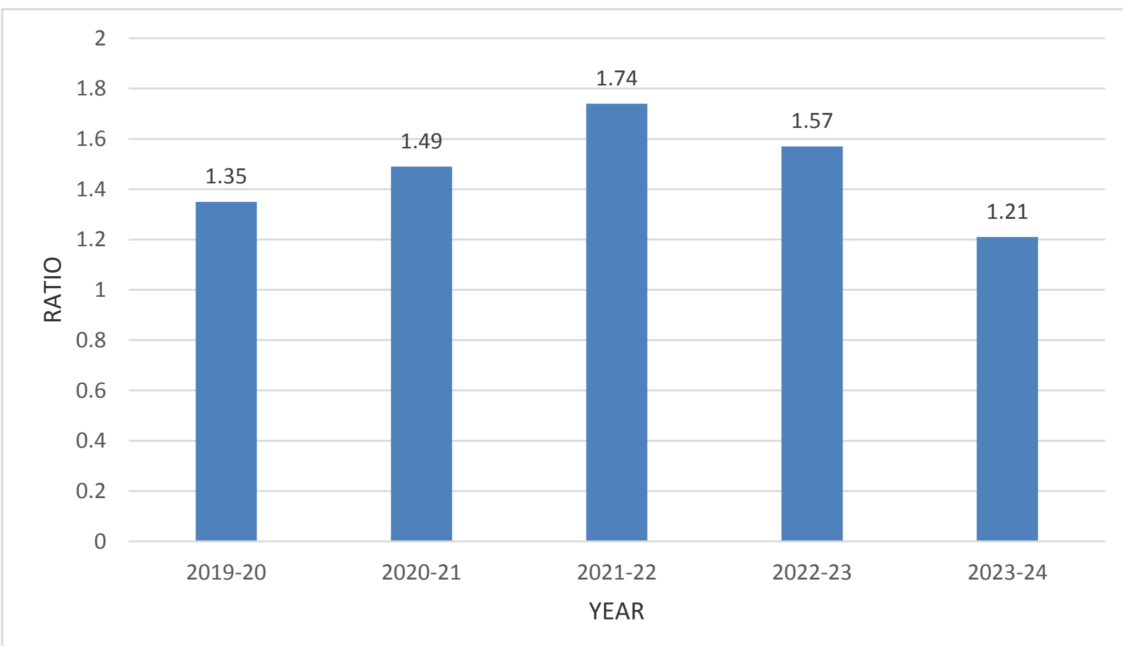
Table No: 8.2

Year	Quick Assets	Current Liabilities	Quick Ratio
2019-20	49123.21	36253.41	1.35
2020-21	35462.81	23744.25	1.49
2021-22	40039.45	23072.27	1.74
2022-23	33644.86	21480.90	1.57
2023-24	76410.28	63342.50	1.21

Interpretation

The table above gives an idea about the quick assets held by the company as against their current liabilities. It can be interpreted as for every one rupee of current assets the company holds Re.1.24 in the year 2023-24. Investing more in the liquid assets would affect the profitability. Therefore the company has been cautious enough to reduce the amount of quick assets to current liabilities ratio. The company has thus been reducing the investment in the liquid assets. The quick ratio was nearly Rs. 2 in the year 2021-22 which came down to Rs.1.50 in the year 2020-21. Since then the quick ratio has been on the declining trend. The industry average for the quick ratio is 1:1. This means that the company has been able to comply with the standards with ease.

Chart No:8.2 Quick Asset Ratio



8.3 Net Working Capital Ratio

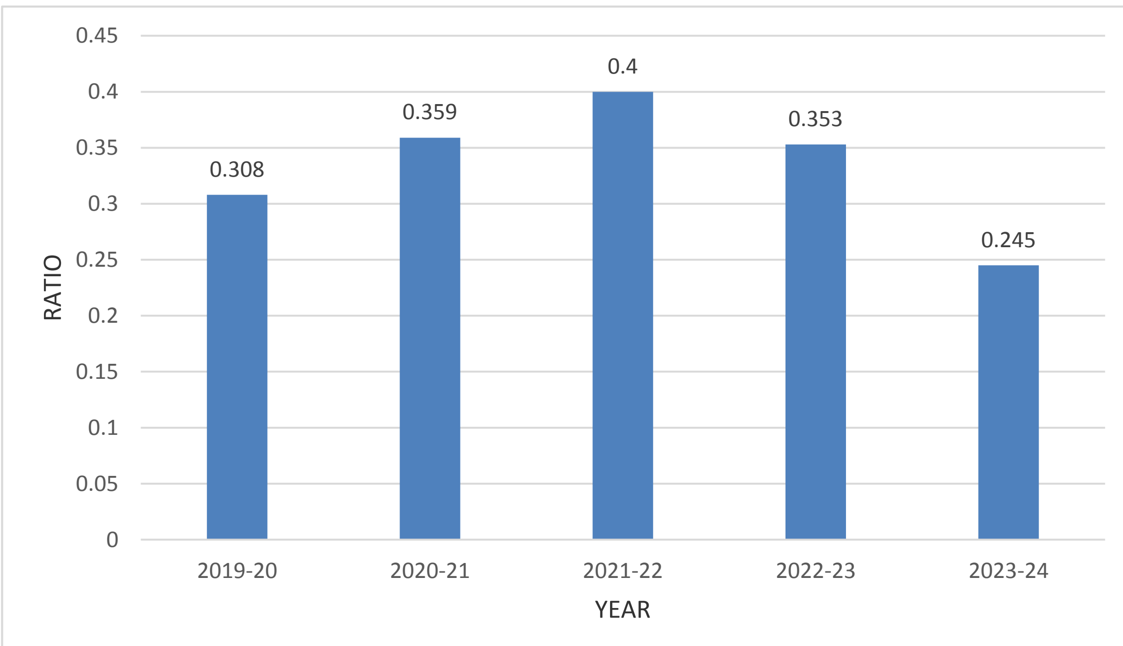
Table: 8.3

Year	Net Working Capital	Net Assets	NWCR
2019-20	50558.08	163964.37	0.308
2020-21	37236.08	103740.45	0.359
2021-22	39991.25	99958.87	0.400
2022-23	32470.58	91962.70	0.353
2023-24	57284.79	233950.91	0.245

Interpretation

In the above table one can see that the net working capital has been increasing but at a declining rate which is why the ratio has been on the decreasing over the five financial year period. One can observe that the ratio in the year 20178-19 was the highest which gradually reduced to the level of 0.359 in the year 2020-21, then to 0.308 in the year 2019-20, finally to 0.245 in the year 2023-24.This means that if the capital employed (net assets) is Rs.100 then the net working capital was Rs. 40 in the year 2020-21, Rs. 30.8 in the year 2019-20 and Rs.24.5 in the year 2023-24.

Chart No: 8.3 Net Working Capital Ratios



8.4 Activity Ratios

Table: 8.4

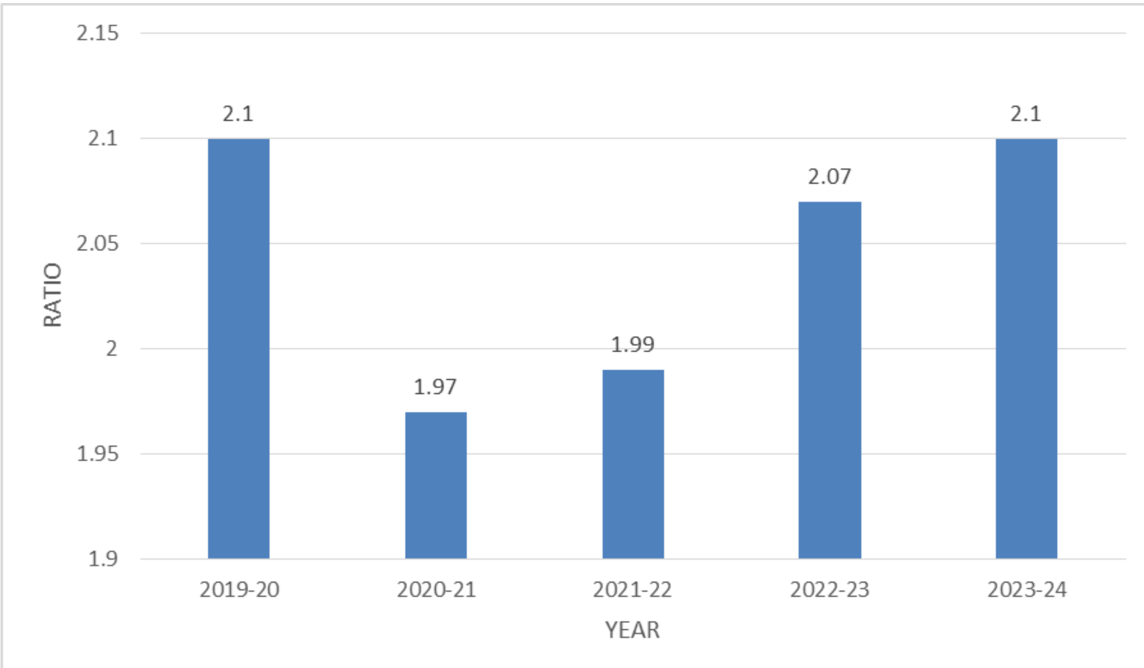
Year	Sales-G/P Margin	Average Inventory	ITR (in times)	Inventory Holding Period (in months)
2019-20	180399.96	31603.40	4.71	2.10
2020-21	148161.46	24271.29	6.10	1.97
2021-22	130694.99	21664.34	6.03	1.99
2022-23	115534.31	19954.06	4.79	2.07
2023-24	234328.97	40952.65	4.72	2.10

IJMSRR
E- ISSN - 2349-6746
ISSN -2349-6738

Interpretation

This table clearly shows the time taken by the inventory to turn into cash. In the year 2023-24 it can be observed that inventory turns almost every 2 months. In the sense that the inventory runs fast i.e., it runs for almost 6 times in the same year. Whereas in the other years that is the four preceding years one can see that the inventory took almost the same time. However it had been nominally high in the years 2021-22 and 2020-21 through efficient management and sudden rise in the demand for cement.

Chart No:8.4 Activity Ratios



9. Findings

The following are the findings of the analysis done on calculation of various ratios and percentages in order to study the financial health of the company over a period of five years.

- The current ratio has been according to the standards prescribed by the industry. The company maintained the current ratio above the industry standards in the previous years.
- The company also maintained the quick ratio high. This shows the inclination of the company towards liquidity. The liquid assets held by the company were more. The company has constantly been keeping up the quick ratio above the standards of 1:1 emphasizing on short-term liquidity.
- The net working capital ratio has been on fall like the other two ratios. The net working capital has been on decline from year to year giving away the pattern of justified liquidity towards which the company is slowly moving from excessive liquidity. Despite the rise in the working capital year on year the ratio shows the declining trend.
- The debt to equity ratios have been below the industry standard of 2:1. The company has been not utilizing the debts fully in its capital structure. Though the company has been increasing the debt level in its capital structure year after year the company has not been able to increase the debt-equity mix in the total assets of the company.
-

10. Conclusion

The study on comparative financial statement analysis at AAVIN reveals insightful trends regarding the company's financial health, operational efficiency, and overall performance over the analysed period. By comparing financial data across multiple years, it is evident that AAVIN has shown consistent growth in revenue and profitability, although certain areas like expenditure control and debt management still require attention. The Ratio analysis and comparative statement techniques applied during the study highlighted key fluctuations in income, expenses, and assets, allowing for a more informed interpretation of financial movements. In particular, increases in cost of operations and administrative expenses indicate the need for better internal control and cost optimization strategies. Overall, the comparative analysis has proven to be an effective tool in understanding AAVIN's financial position and can aid stakeholders in making informed decisions. Going forward, regular financial reviews and benchmarking against industry standards are recommended to enhance financial performance and strategic planning.

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